

# Will Managerial Short-termism Promote Corporate Tax Avoidance?

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## Abstract

**Taking A-share listed companies from 2007 to 2020 as research samples, this paper empirically tested the impact of managerial short-termism on corporate tax avoidance behavior. The research findings: Managerial short-termism has a significant positive impact on corporate tax avoidance, and the promotion effect of managerial short-termism on corporate tax avoidance is still significant when multiple indicators of tax avoidance behavior are distinguished. In the further analysis of state-owned enterprises and non-state-owned enterprises, The promotion effect of managerial short-termism on corporate tax avoidance in state-owned enterprises is less significant than that in non-state-owned enterprises. The conclusion of this study has certain reference significance for enterprises to improve their own governance level.**

## Keywords

**Managerial Short-Termism; Corporate; Tax Avoidance.**

## 1. Introduction

Tax as part of the revenue has important implications for economic growth, at the same time, it will produce certain tax of the enterprise, in the face of tax burden enterprise may use the relevant accounting policy for tax avoidance, to bring certain economic benefits for the enterprise to reduce costs, corporate tax avoidance is reasonable to a certain extent, But too much tax may violate the relevant tax laws to bring some risk of enterprise management, such tax avoidance cannot help enterprises, not only may also damage the reputation of the enterprise, harmful to the long-term development of the enterprise, existing in the study of corporate tax avoidance, has more elaborated the external environment and internal factors, Such as region and related policies, executive compensation, background and characteristics, etc., but there is little to study from the perspective of managers of short-term corporate tax avoidance, the management as the key decision makers of the enterprise, has more influence on enterprise development, the existing literature from CEO overconfidence, overseas experience, in the form of salary incentive and corporate tax avoidance research (Dai Bin, 2017; Wang Yishu, 2020; Wang Dongqing, 2019; Luo Hong, 2018), but failed to improve the decision-making motivation of managers. Therefore, a short-sighted perspective of managers can bring new understanding to corporate tax avoidance behavior. Management decisions at the enterprise behavior and strategy, the implementation of the policies of the enterprise has a strong influence, management myopia cases are more likely to short-term goals rather than long-term benefits, and corporate tax avoidance is a kind of risk and profitability, managers are myopia cases attaches great importance to the current revenue from tax avoidance, or the consequences of the tax avoidance, These have become questions worth thinking about. This paper studies the impact of corporate tax avoidance from the perspective of short-sighted managers, which can not only enrich the research on corporate tax avoidance from the perspective of managers, but also provide certain reference significance for the development of enterprises.

## 2. Literature Review and Research Hypothesis

Managers have their own subjective preferences, and long-term and short-term preferences are one of the most common ones. Short-term preference behavior may lead to the lack of foresight in decision-making related issues of managers, who focus more on vested interests for enterprise development and pay less attention to future development (Hu Nan, 2021). Tax avoidance is likely to bring a certain amount of money for the enterprise, can produce the money return to promote enterprise development, so the managers under the condition of myopia may be more willing to tax avoidance for short-term interests, existing literature study, there have been more literature, from the perspective of the managers to study the influence on enterprise development, overconfident managers will overestimate the expected return, Ignoring risky behaviors, corporate tax avoidance is a way of combining risks and returns, and managers may increase the degree of tax avoidance to obtain expected returns (Wang Dongqing, 2019). Incentive mechanism to constraint the self-interested behavior of executives, but because of the different nature of companies, executives may have some deviation in the tax, the interests of the non-state-owned enterprises more will stack can choose higher tax avoidance, is different from the development of China's enterprises, has a more experienced returnees may consider long-term interests for enterprise development, pay more attention to the collective interests of the enterprise, Compared with the characteristics of Chinese executives, returnee executives have stronger psychological quality and a variety of risk learning practices, which may lead to high tax avoidance behaviors (Gan Weiyu, 2022; Wang Yishu, 2020). Female executives in the modern enterprise management is also increasingly, women executives there may alleviate agency problems, avoid high-risk, enhance information transparency has certain effect, the characteristics of female executives are to some extent, alleviate the tax avoidance of enterprises (Dai Bin, 2017), managers in consideration of tax avoidance is more for the enterprise to provide more funds available, When the financing constraints are high, managers tend to avoid tax to alleviate the financing constraints (Zhang Minghong, 2018). In addition, when the market performance is poor, managers will pay more attention to the short-term market performance based on their own considerations, while ignoring the long-term benefits of enterprises (Shao Dan, 2017). Managers' personal characteristics, incentive mode and external environment significantly affected the managers' attitude to tax avoidance behavior, different managers of different condition characteristics significantly affected the enterprise tax avoidance behavior, and existing managers myopic perspective, managers myopic can lead to investment decision myopic, reduce long-term investment, and financial assets more in line with the managers short-term profit purpose, lead to enterprise financialization (Yu Honglin, 2022). Digital transformation is not like financial assets, where the large cost and longtime are a more prominent performance. Managers' myopia will weaken the speed of the period transformation period (Wang Xinguang, 2022). However, managers will still consider the long-term performance of enterprises. Managers will also change the capitalization of the enterprise research and development spending to meet long-term performance to good performance (He Yanan, 2019), managers will consider more short-term gains under myopia, while enterprises tax avoidance with short-term profit, but this may be accompanied by a certain risk, management myopia is more care about tax avoidance short-term gains or hedge the risks of short-term gains, Based on this, the paper puts forward the following research hypotheses:

Hypothesis: short-termism of managers will promote tax avoidance behavior of enterprises.

### 3. Research Design

#### 3.1. Sample Selection and Data Sources

Considering that there are some differences in some statement items under the old and new accounting standards, this paper selects A-share listed companies from 2007 to 2020 as the research object. The financial data of enterprises are from the CSMAR database. The managers myopically refer to the financial report text of the Giant Tide Information Network, and use the WinGo financial text data platform for data processing. In addition, the paper further processed the data: excluding the samples of listed companies in the financial industry, ST, \*ST and PT; Outliers and other companies with serious missing data were eliminated; All continuous variables were truncated by 1% before and after.

#### 3.2. Selection of Variables

##### 3.2.1. Explained Variable -- Corporate Tax Avoidance Behavior

Referring to the method of Ye Kangtao (2014), four methods are adopted to measure the degree of corporate tax avoidance. First, the difference between nominal income tax RATE and actual income tax RATE (RATE) is selected. Secondly, the current nominal income tax rate and actual income tax rate cannot accurately reflect the degree of corporate tax avoidance. Therefore, the average of multiple periods of effective tax rates is used to measure corporate tax avoidance, which is the five-year average (LRATE) of "the difference between nominal income tax rate and actual income tax rate". Furthermore, the accounting -- tax difference (BTD) is used to measure the degree of corporate tax avoidance. The calculation method is: (pre-tax accounting profit -- taxable income)/ending total assets, taxable income = current income tax expense/nominal income tax rate. Finally, the accounting tax difference (DDBTD) after deducting the impact of accruals is used to measure the degree of tax avoidance of enterprises. The calculation method is as follows:

$$DDBTD_{it} = u_i + \varepsilon_{it} \quad (1)$$

$$BTD_{it} = \alpha TACC_{it} + u_i + \varepsilon_{it} \quad (2)$$

Where,  $BTD$  equal to (pre-tax accounting profit taxable income)/ending total assets; Taxable income = current income tax expense/nominal income tax rate = (income tax expense - deferred income tax expense)/nominal income tax rate.  $TACC$  is total accruals, calculated as: Total accruals = (Net income one Net cash flow from operating activities)/Total assets.  $u_i$  denotes the average of the company ( $i$ )'s residuals over the sample period, and  $\varepsilon_{it}$  represents the deviation of the  $t$  annual residuals from the company's average residuals ( $u_i$ ).  $DDBTD$  represents the part of  $BTD$  that cannot be explained by accruals. The larger its value is, the larger the difference between accounting profits and taxable income is, and thus the enterprise has a higher possibility of tax avoidance.

##### 3.2.2. Explanatory Variable -- Short-Termism of Managers

Reference Hu Nan (2021), by the dictionary method construct a manager's short-termism indicators, through the analysis of the types of words in language of managers use to get managers and word frequency characteristics, combined with the existing English practice "short sight" word set, MD&A Chinese language characteristics and machine learning to make managers "short sight" word set, The dictionary method is used to construct the short-termism index of managers. MD&A is the summary of enterprise managers' production and operation activities within the financial report date and the elaboration of the next year's enterprise operation plan and the opportunities, challenges and risks faced by the future development

according to the current enterprise situation. The existing literature has also made an analysis in the related research, and the characteristics of short-termism of managers obtained through the text are more reflected by the chairman of the company. Specific practices are as follows: Make word sets of "short-term horizon", such as: "days", "as soon as possible", "immediately", Word2Vec machine learning technology was used to expand the word set, verify the index of the word set and determine the final 43 "short-term horizon" words. Based on the dictionary method, the proportion of word frequency of words representing myopic behavior in the management discussion and analysis chapter of the annual financial report of the enterprise was calculated. The final Myopism index (Myo) was obtained by multiplying the word frequency by 100.

### 3.2.3. Control Variables

Referring to previous studies, This paper selects enterprise Size (Size), asset-liability ratio (Lev), net interest rate on total assets (ROA), capital occupancy ratio of major shareholders (Occu), return on equity (ROE), total asset turnover ratio (ATO), Cash flow ratio (Cash), book-to-market ratio (BM) and management expense ratio (Mfe) as control variables. At the same time, Year dummy variable (Year) and industry dummy variable (Ind) are introduced to control Year fixed effect and industry fixed effect. See Table 1 for specific definitions of variables.

**Table 1.** Description of variables

| Variable types        | The variable name                 | Variable symbol | Variable declaration                                                                |
|-----------------------|-----------------------------------|-----------------|-------------------------------------------------------------------------------------|
| Explained variable    | Corporate tax avoidance           | RATE            | The difference between the nominal income tax rate minus the actual income tax rate |
|                       |                                   | LRATE           | The five-year average of RATE                                                       |
|                       |                                   | BTD             | Accounting - Tax differences                                                        |
|                       |                                   | DDBTD           | Accounting - tax differences after the impact of accruals                           |
| Explanatory variables | Managerial short-termism          | Myo             | The percentage of manager myopic word frequency to total word frequency             |
| Control variables     | The enterprise scale              | Size            | Take logarithm of total business assets                                             |
|                       | Asset-liability ratio             | Lev             | Total liabilities/total assets                                                      |
|                       | Net interest rate on total assets | ROA             | Net profit as a percentage of the average balance of total assets                   |
|                       | Major shareholder funds tied up   | Occu            | Other receivables divided by total assets                                           |
|                       | Return on equity                  | ROE             | Net income/average balance of Stockholders' equity                                  |
|                       | Total asset turnover              | ATO             | Operating income/average total assets                                               |
|                       | Cash flow ratio                   | Cash            | Net cash flow from operating activities divided by total assets                     |
|                       | Book-to-market ratio              | BM              | Book value/total market capitalization                                              |
|                       | Management expense ratio          | Mfe             | Overhead divided by operating income                                                |
|                       | The annual                        | Year            | Control for year fixed effects                                                      |
|                       | industry                          | Ind             | Control for industry fixed effects                                                  |

### 3.3. Model Design

In order to verify the hypothesis, the econometric model is constructed as follows:

$$RATE_{it} = \beta_0 + \beta_1 Myo_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 ROA_{it} + \beta_5 Occu_{it} + \beta_6 ROE_{it} + ATO_{it} + \beta_8 Cash_{it} + \beta_9 BM_{it} + \beta_{10} Mfe_{it} + Year_i + Ind_t + \varepsilon \quad (3)$$

$$LRATE_{it} = \beta_0 + \beta_1 Myo_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 ROA_{it} + \beta_5 Occu_{it} + \beta_6 ROE_{it} + ATO_{it} + \beta_8 Cash_{it} + \beta_9 BM_{it} + \beta_{10} Mfe_{it} + Year_i + Ind_t + \varepsilon \quad (4)$$

$$BTD_{it} = \beta_0 + \beta_1 Myo_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 ROA_{it} + \beta_5 Occu_{it} + \beta_6 ROE_{it} + ATO_{it} + \beta_8 Cash_{it} + \beta_9 BM_{it} + \beta_{10} Mfe_{it} + Year_i + Ind_t + \varepsilon \quad (5)$$

$$DDBTD_{it} = \beta_0 + \beta_1 Myo_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 ROA_{it} + \beta_5 Occu_{it} + \beta_6 ROE_{it} + ATO_{it} + \beta_8 Cash_{it} + \beta_9 BM_{it} + \beta_{10} Mfe_{it} + Year_i + Ind_t + \varepsilon \quad (6)$$

## 4. Analysis of Empirical Results

### 4.1. Descriptive Statistics

**Table 2.** Descriptive statistics of main variables

| variable | Sample size | The mean | The median | The variance | The minimum value | The maximum |
|----------|-------------|----------|------------|--------------|-------------------|-------------|
| RATE     | 28148       | -0.003   | 0.006      | 0.107        | -0.452            | 0.228       |
| LRATE    | 28148       | -0.004   | 0.002      | 0.077        | -0.278            | 0.182       |
| BTD      | 28148       | 0.000    | -0.001     | 0.025        | -0.069            | 0.084       |
| DDBTD    | 28148       | -0.000   | -0.001     | 0.025        | -0.075            | 0.081       |
| Myo      | 28148       | 0.089    | 0.072      | 0.079        | 0.000             | 0.380       |
| Size     | 28148       | 22.096   | 21.903     | 1.287        | 19.869            | 26.073      |
| Lev      | 28148       | 0.413    | 0.407      | 0.202        | 0.049             | 0.853       |
| ROA      | 28148       | 0.058    | 0.048      | 0.045        | 0.002             | 0.224       |
| Occu     | 28148       | 0.015    | 0.007      | 0.022        | 0.000             | 0.132       |
| ROE      | 28148       | 0.100    | 0.087      | 0.071        | 0.004             | 0.362       |
| ATO      | 28148       | 0.686    | 0.581      | 0.456        | 0.091             | 2.659       |
| Cash     | 28148       | 0.051    | 0.050      | 0.070        | -0.158            | 0.247       |
| BM       | 28148       | 0.957    | 0.614      | 1.042        | 0.094             | 6.398       |
| Mfe      | 28148       | 0.084    | 0.071      | 0.060        | 0.009             | 0.343       |

According to the descriptive statistics of main variables in Table 2, among the four expressions of corporate tax avoidance behaviors, the average value of the difference between nominal income tax RATE and actual income tax RATE (RATE) is -0.003, the median value is 0.006, the minimum value is -0.452, and the maximum value is 0.228. The 5-year average (LRATE) of the difference between nominal income tax rate and actual income tax rate is -0.004, the median is 0.002, the minimum is -0.278, and the maximum is 0.182. The difference between the two is not very large. From the perspective of accounting tax differential (BTD), the mean was 0.000, the median was -0.001, the minimum was -0.069, and the maximum was 0.084. From the perspective of accounting tax differential (DDBTD) after deducting the impact of accruals, the mean was -0.000, the median was -0.001, and the minimum was -0.075. Maximum value is 0.081, the visible of two tax avoidance tax differences between the accounting variable gap also is not very big, from the level of tax avoidance, using nominal income tax rate minus the difference between the actual income tax rate of tax avoidance is not particularly prominent, the mean and median of enterprises tax avoidance in look, most enterprises tax avoidance behavior but not particularly aggressive, The degree of tax avoidance expressed by accounting

tax difference also fluctuates around the mean and median, and the degree of tax avoidance is slightly higher than the degree of tax avoidance expressed by the difference between nominal income tax rate and actual income tax rate. The average value of Myo was 0.089, the median value was 0.072, the minimum value was 0.000, and the maximum value was 0.380, indicating that the managers of listed companies had short-termism and some managers were more prominent.

#### 4.2. Analysis of Regression Results

Table 3 lists the regression results of managerial short-termism and corporate tax avoidance behavior. As can be seen from Model 3, the regression coefficient of managerial short-termism (Myo) and corporate tax avoidance behavior (RATE) is 0.018, t value is 2.33, and there is a significant positive correlation at 5% level. In Model 4, the regression coefficient of manager (Myo) and corporate tax avoidance behavior (LRATE) is 0.006, and the t value is 0.95, which does not show the correlation between them. As can be seen from Model 5, the regression coefficient of manager (Myo) and corporate tax avoidance behavior (BTD) is 0.011, and the t value is 5.80. At 1% significant positive correlation, as can be seen from the Model 6, managers short-termism (Myo) and enterprises tax avoidance (DDBTD) of the regression coefficient is 0.008, the t value is 4.07, the 1% significant level, from the Model 3, Model 5 and Model 6 can be seen that managers short-termism can promote the tax avoidance of enterprises, The hypothesis can be verified.

**Table 3.** Regression results

| variable | Model 3<br>RATE        | Model 4<br>LRATE       | Model 5<br>BTD        | Model 6<br>DDBTD      |
|----------|------------------------|------------------------|-----------------------|-----------------------|
| Myo      | 0.018 **<br>(2.33)     | 0.006<br>(0.95)        | 0.011 ***<br>(5.80)   | 0.008 ***<br>(4.07)   |
| Size     | 0.006 ***<br>(9.21)    | 0.008 ***<br>(13.84)   | 0.001 ***<br>(5.63)   | 0.001 ***<br>(3.24)   |
| Lev      | -0.138 ***<br>(-24.02) | -0.092 ***<br>(-19.96) | -0.012 ***<br>(-9.03) | -0.011 ***<br>(-7.58) |
| ROA      | -0.616 ***<br>(-14.66) | -0.162 ***<br>(-4.78)  | 0.071 ***<br>(7.13)   | 0.030 ***<br>(2.94)   |
| Occu     | -0.334 ***<br>(-11.54) | -0.308 ***<br>(-13.73) | -0.038 ***<br>(-5.55) | -0.043 ***<br>(-6.01) |
| ROE      | 0.758 ***<br>(31.46)   | 0.321 ***<br>(16.89)   | 0.056 ***<br>(9.77)   | 0.048 ***<br>(8.21)   |
| ATO      | -0.012 ***<br>(-7.00)  | -0.008 ***<br>(-6.18)  | -0.003 ***<br>(-7.94) | -0.002 ***<br>(-6.08) |
| Cash     | -0.081 ***<br>(-8.46)  | -0.077 ***<br>(-9.91)  | -0.015 ***<br>(-6.63) | 0.019 ***<br>(8.17)   |
| BM       | -0.005 ***<br>(-6.05)  | -0.003 ***<br>(-4.54)  | 0.000 *<br>(1.95)     | 0.001 ***<br>(2.88)   |
| Mfe      | -0.089 ***<br>(-6.87)  | -0.078 ***<br>(-7.47)  | -0.005<br>(-1.63)     | -0.011 ***<br>(-3.41) |
| Year     | control                | control                | control               | control               |
| Ind      | control                | control                | control               | control               |
| _cons    | 0.013<br>(0.79)        | -0.039 ***<br>(-2.96)  | 0.007 *<br>(1.92)     | 0.013 ***<br>(3.26)   |
| N        | 28148                  | 28148                  | 28148                 | 28148                 |
| R-sq     | 0.1483                 | 0.1422                 | 0.1273                | 0.0946                |
| F        | 112.30                 | 87.91                  | 94.27                 | 67.81                 |

### 4.3. Robustness Test

#### 4.3.1. Propensity Score Matching Method (Psm)

For the regression results of the effect of managerial short-termism on corporate tax avoidance behavior, there may be differences between the companies with short-termism managers themselves, which leads to the sample self-selection problem. In order to reduce the impact of corporate differences, this paper uses the PSM method for analysis, referring to the practice of Wang Xinguang (2022), takes the median of the sample of managerial short-termism as the standard, and defines those whose managerial short-termism is higher than the sample median as the experimental group. The enterprise Size (Size), asset-liability ratio (Lev), net interest rate on total assets (ROA), capital occupancy ratio of major shareholders (Occu), return on equity (ROE), turnover ratio of total assets (ATO), Cash flow ratio (Cash), book-to-market ratio (BM), management expense ratio (Mfe), and listed years (ListAge) were selected, Dual (Dual), Balance of equity (Balance), Big4 audit (Big4) and nature of equity (Soe) were used as covariates. The measurement methods of variables enterprise Size (Size), asset-liability ratio (Lev), net interest rate on total assets (ROA), capital occupancy ratio of major shareholders (Occu), return on equity (ROE), total asset turnover ratio (ATO), Cash flow ratio (Cash), book-to-market ratio (BM) and management expense ratio (Mfe) are shown in Table 1. ListAge is denoted by Ln (year -- listing year +1); Dual is denoted by the chairman and general manager being the same as 1; otherwise, it is denoted by 0. The Balance of ownership is expressed by the sum of the shareholding ratio of the second to five major shareholders divided by the shareholding ratio of the largest shareholder. The Big Four audit (Big4) is used to determine whether it has been audited by the Big Four. If the audit is 1, otherwise it is 0. Then, one-to-one closest distance matching is performed, and the matched samples are finally used for regression. The regression results are shown in Table 4. In Model 3, the regression coefficient of Myo and RATE is 0.025, and the t value is 2.31, which is still significantly positively correlated at the 5% level. Model 4, Model 5 and Model 6 are basically consistent with the previous regression.

#### 4.3.2. Establishment of Comprehensive Index of TAX Avoidance Degree (TAX)

Reference Ye Kangtao (2014), to build an integrated index to measure the degree of enterprise TAX (TAX) to represent the above four TAX index, first of all, the article puts forward the four indicators of enterprises TAX avoidance of principal component analysis, to comprehensive measure of degree of enterprise TAX with the first principal component, and then with a comprehensive TAX avoidance degree index regression, regression results show that, The regression coefficient of managerial short-termism (Myo) and the comprehensive index of the degree of corporate TAX avoidance (TAX) is 0.024, and the t value is 3.14, which is significantly positively correlated at the 1% level. Under the comprehensive index of the degree of TAX avoidance, managerial short-termism will promote the TAX avoidance behavior of enterprises.

#### 4.3.3. Explanatory Variable Lags One Period (LMyo)

In order to further ensure the robustness of the results, this paper uses the explanatory variables with one period lag to conduct the regression, and the regression results are shown in Table 5. From Model 3, it can be seen that the regression coefficient of manager myopism lagged one period (LMyo) and corporate tax avoidance behavior (RATE) is 0.020, t value is 2.41, and there is a significant positive correlation at 5% level. The regression results of Model 4, Model 5 and Model 6 are basically consistent with the original regression results.

**Table 4.** Regression results of propensity score matching method

| variable | Model 3<br>RATE | Model 4<br>LRATE | Model 5<br>BTD | Model 6<br>DDBTD |
|----------|-----------------|------------------|----------------|------------------|
| Myo      | 0.025 **        | 0.013            | 0.008 ***      | 0.006 **         |

|       |                        |                        |                       |                       |
|-------|------------------------|------------------------|-----------------------|-----------------------|
|       | (2.31)                 | (1.58)                 | (3.05)                | (2.32)                |
| Size  | 0.007 ***<br>(7.48)    | 0.007 ***<br>(9.48)    | 0.001 ***<br>(4.07)   | 0.001 **<br>(2.43)    |
| Lev   | -0.134 ***<br>(-16.95) | -0.087 ***<br>(-13.79) | -0.013 ***<br>(-6.81) | -0.012 ***<br>(-6.08) |
| ROA   | -0.581 ***<br>(-10.03) | -0.154 ***<br>(-3.32)  | 0.060 ***<br>(4.33)   | 0.018<br>(1.25)       |
| Occu  | -0.274 ***<br>(-7.00)  | -0.263 ***<br>(-8.69)  | -0.030 ***<br>(-3.20) | -0.032 ***<br>(-3.37) |
| ROE   | 0.722 ***<br>(21.84)   | 0.323 ***<br>(12.37)   | 0.060 ***<br>(7.55)   | 0.052 ***<br>(6.43)   |
| ATO   | -0.014 ***<br>(-6.07)  | -0.011 ***<br>(-6.12)  | -0.003 ***<br>(-6.14) | -0.003 ***<br>(-5.02) |
| Cash  | -0.082 ***<br>(-6.32)  | -0.076 ***<br>(-7.20)  | -0.014 ***<br>(-4.48) | 0.019 ***<br>(6.16)   |
| BM    | -0.008 ***<br>(-6.33)  | -0.003 ***<br>(-3.15)  | 0.000<br>(0.61)       | 0.000<br>(1.49)       |
| Mfe   | -0.126 ***<br>(-7.19)  | -0.102 ***<br>(-7.18)  | -0.011 ***<br>(-2.70) | -0.018 ***<br>(-4.09) |
| Year  | control                | control                | control               | control               |
| Ind   | control                | control                | control               | control               |
| _cons | 0.006<br>(0.25)        | -0.031 *<br>(-1.72)    | 0.008<br>(1.40)       | 0.013 **<br>(2.44)    |
| N     | 12327                  | 12327                  | 12327                 | 12327                 |
| R-sq  | 0.1428                 | 0.1381                 | 0.1273                | 0.0900                |
| F     | 57.83                  | 45.90                  | 48.29                 | 34.74                 |

**Table 5.** Results of one-stage regression with lagged explanatory variables

| variable | Model 3<br>RATE        | Model 4<br>LRATE       | Model 5<br>BTD        | Model 6<br>DDBTD      |
|----------|------------------------|------------------------|-----------------------|-----------------------|
| LMyo     | 0.020 **<br>(2.41)     | 0.007<br>(1.08)        | 0.013 ***<br>(6.52)   | 0.011 ***<br>(5.05)   |
| Size     | 0.006 ***<br>(8.48)    | 0.008 ***<br>(14.24)   | 0.001 ***<br>(5.84)   | 0.001 ***<br>(3.60)   |
| Lev      | -0.137 ***<br>(-21.98) | -0.088 ***<br>(-18.56) | -0.013 ***<br>(-8.22) | -0.011 ***<br>(-6.63) |
| ROA      | -0.536 ***<br>(-11.57) | -0.141 ***<br>(-4.01)  | 0.113 ***<br>(9.86)   | 0.067 ***<br>(5.68)   |
| Occu     | -0.298 ***<br>(-9.45)  | -0.292 ***<br>(-12.41) | -0.044 ***<br>(-5.59) | -0.044 ***<br>(-5.46) |
| ROE      | 0.720 ***<br>(26.93)   | 0.299 ***<br>(14.92)   | 0.035 ***<br>(5.32)   | 0.030 ***<br>(4.43)   |
| ATO      | -0.011 ***<br>(-6.36)  | -0.008 ***<br>(-5.84)  | -0.003 ***<br>(-7.66) | -0.002 ***<br>(-6.05) |
| Cash     | -0.099 ***<br>(-9.50)  | -0.078 ***<br>(-9.80)  | -0.018 ***<br>(-6.96) | 0.018 ***<br>(6.61)   |
| BM       | -0.004 ***<br>(-4.62)  | -0.003 ***<br>(-4.48)  | 0.000 **<br>(2.30)    | 0.001 ***<br>(3.08)   |

|       |                       |                       |                       |                       |
|-------|-----------------------|-----------------------|-----------------------|-----------------------|
| Mfe   | -0.102 ***<br>(-7.25) | -0.078 ***<br>(-7.25) | -0.015 ***<br>(-4.40) | -0.018 ***<br>(-5.16) |
| Year  | control               | control               | control               | control               |
| Ind   | control               | control               | control               | control               |
| _cons | -0.000<br>(-0.01)     | -0.038 ***<br>(-2.89) | -0.001<br>(-0.13)     | 0.005<br>(1.17)       |
| N     | 20254                 | 20254                 | 20254                 | 20254                 |
| R-sq  | 0.1516                | 0.1430                | 0.1360                | 0.1052                |
| F     | 94.58                 | 79.60                 | 83.38                 | 62.52                 |

#### 4.4. Further Analysis -- Distinguishing the Nature of Property Rights

**Table 6.** Regression results of distinguishing property right nature

|          | State-owned enterprises |                        |                       | Non-state owned enterprises |                       |                       |
|----------|-------------------------|------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|
| variable | Model 3<br>RATE         | Model 5<br>BTD         | Model 6<br>DDBTD      | Model 3<br>RATE             | Model 5<br>BTD        | Model 6<br>DDBTD      |
| Myo      | 0.024 *<br>(1.79)       | 0.006 **<br>(2.35)     | 0.003<br>(1.21)       | 0.009<br>(0.92)             | 0.012 ***<br>(4.39)   | 0.009 ***<br>(3.33)   |
| Size     | 0.006 ***<br>(5.02)     | -0.000<br>(-0.72)      | -0.002<br>(-0.74)     | 0.005 ***<br>(5.54)         | 0.001 ***<br>(5.22)   | 0.001 ***<br>(2.92)   |
| Lev      | -0.173 ***<br>(-16.29)  | -0.016 ***<br>(-7.45)  | -0.014 ***<br>(-6.25) | -0.109 ***<br>(-15.81)      | -0.014 ***<br>(-7.59) | -0.012 ***<br>(-6.44) |
| ROA      | -0.667 ***<br>(-8.47)   | 0.079 ***<br>(4.99)    | 0.022<br>(1.35)       | -0.471 ***<br>(-9.27)       | 0.060 ***<br>(4.43)   | 0.026 *<br>(1.88)     |
| Occu     | -0.424 ***<br>(-8.27)   | -0.066 ***<br>(-6.42)  | -0.073 ***<br>(-6.89) | -0.270 ***<br>(-7.79)       | -0.019 **<br>(-2.06)  | -0.023 **<br>(-2.41)  |
| ROE      | 0.863 ***<br>(21.45)    | 0.054 ***<br>(6.64)    | 0.051 ***<br>(6.20)   | 0.629 ***<br>(20.47)        | 0.065 ***<br>(7.96)   | 0.054 ***<br>(6.35)   |
| ATO      | -0.013 ***<br>(-4.42)   | -0.003 ***<br>(-5.60)  | -0.003 ***<br>(-5.03) | -0.010 ***<br>(-5.02)       | -0.004 ***<br>(-6.37) | -0.002 ***<br>(-4.08) |
| Cash     | -0.128 ***<br>(-7.09)   | -0.038 ***<br>(-10.48) | -0.001<br>(-0.18)     | -0.057 ***<br>(-5.14)       | -0.003<br>(-1.09)     | 0.030 ***<br>(9.89)   |
| BM       | -0.003 **<br>(-2.51)    | 0.001 ***<br>(2.79)    | 0.001 **<br>(2.49)    | -0.006 ***<br>(-4.29)       | 0.000<br>(0.49)       | 0.001 *<br>(1.84)     |
| Mfe      | -0.058 **<br>(-2.16)    | -0.007<br>(-1.36)      | -0.012 **<br>(-2.13)  | -0.106 ***<br>(-7.38)       | -0.005<br>(-1.34)     | -0.011 ***<br>(-2.79) |
| Year     | control                 | control                | control               | control                     | control               | control               |
| Ind      | control                 | control                | control               | control                     | control               | control               |
| _cons    | 0.062 **<br>(2.16)      | 0.030 ***<br>(5.28)    | 0.030 ***<br>(5.10)   | 0.016<br>(0.76)             | 0.006<br>(1.16)       | 0.012 **<br>(2.20)    |
| N        | 10320                   | 10320                  | 10320                 | 17814                       | 17814                 | 17814                 |
| R-sq     | 0.1902                  | 0.1526                 | 0.1158                | 0.1197                      | 0.1311                | 0.0968                |
| F        | 57.36                   | 44.20                  | 32.43                 | 56.03                       | 62.11                 | 44.40                 |

In order to further investigate different property nature of the enterprise managers of short-term impact on corporate tax avoidance, the sample data is divided into state-owned enterprises and non-state-owned enterprises two child samples regression, regression results as shown in table 6, considering the Model 4 exist in state-owned and non-state-owned enterprises are not significant, therefore in order to save space articles will only Model 3, Model 5 and Model 6 listed, As can be seen from state-owned enterprises, the overall regression

significance of managerial short-termism(Myo) and corporate tax avoidance behavior is significantly less significant than that of non-state-owned enterprises, which also indicates that the executives of non-state-owned enterprises have more myopic tax avoidance behaviors.

## 5. Conclusion and Implications

This paper explores the impact of managerial short-termism on corporate tax avoidance, and gives different measures of corporate tax avoidance, and further analyzes the differences of managerial short-termism in tax avoidance behavior between state-owned enterprises and non-state-owned enterprises. The results show that: first, there is a positive correlation between managerial short-termism and corporate tax avoidance behavior, that is, managerial short-termism can promote corporate tax avoidance behavior; Secondly, according to the four measures of corporate tax avoidance behavior, managerial short-termism also has a high promotion effect on corporate tax avoidance behavior. Third, from the analysis of state-owned enterprises and non-state-owned enterprises, the promotion effect of short-termism on corporate tax avoidance behavior of state-owned enterprises is not as high as that of non-state-owned enterprises.

The paper draws the following inspirations: One is the corporate governance perspective, managers short-termism can promote the tax avoidance of enterprises, it also shows the strength of short-termism, the stronger the corporate tax avoidance, higher corporate tax avoidance is the risk of higher illegal affect the long-term development of the enterprise, so the company should improve the internal governance structure, constraint the behavior of managers short-termism, reduce the risk of enterprise tax behavior caused. Second, managers perspective, managers short-termism on behalf of the managers pay more attention to short-term interests, and corporate tax avoidance with short-term benefits of risk, managers ignore the risks and choose interest, so managers should consider itself the relationship between the benefits and risks and balance the benefits and risks of, consider short-term profits at the same time should also consider the risk of enterprise development.

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